

Message Text

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43

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05

RSC-01 CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5703

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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PASS TREASURY

E.O. L1652: N/A

TAGS: EFIN, FR

SUBJECT: FRENCH TREASURY OFFICIAL ON EC FINANCE

MINISTERS MEETING IN LONDON JANUARY 7

1. ON JANUARY 8 WE DISCUSSED BRIEFLY WITH LAROSIERE,
DIRECTOR OF TREASURY IN FRENCH FINANCE MINISTRY, EC
FINANCE MINISTERS MEETING IN LONDON JANUARY 7, FROM
WHICH HE HAD JUST RETURNED. LAROSIERE CONFIRMED PRESS
REPORTS THAT MINISTERS HAD AGREED UNANIMOUSLY TO SUPPORT
AT \$L0-L2 BILLION LEVEL WITTEVEEN MARK II PROPOSAL FOR
RECYCLING PETRODOLLARS THROUGH IMF. THEY ALSO AGREED
"TO STUDY IN POSITIVE SPIRIT" KISSINGER-SIMON PROPOSAL
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FOR OECD SAFETY NET. IN REPLY TO OUR QUESTION,

LAROSIERE SAID THAT EVERYBODY, INCLUDING GERMANS, HAD SUBSCRIBED TO LATTER FORMULATION, BUT THAT GERMANS HAD NOT CONCEALED THEIR LACK OF ENTHUSIASM FOR SAFETY NET PROPOSAL. AT ANOTHER POINT IN CONVERSATION, LAROSIERE ADDED THAT FRENCH ATTITUDE WAS MUCH MORE POSITIVE. THEY FELT THAT PROPOSAL WAS VERY PROMISING, PROVIDED IT WAS CLEARLY UNDERSTOOD IMF HAD CENTRAL ROLE IN RECYCLING PROCESS.

2. WE ASKED TO WHAT EXTENT FRANCE HAD CONSIDERED U.S. VIEWS ON IMF OIL FACILITY, AS SET FORTH IN DECEMBER 6 STATEMENT OF U.S. EXECUTIVE DIRECTOR TO IMF BOARD (STATE 268582), BEFORE DECIDING TO SUPPORT WITTEVEEN MARK II. LAROSIERE REPLIED THAT IN FRENCH VIEW, U.S. POSITION AGAINST EXTENSION OF IMF OIL FACILITY WAS SIMPLY NOT REALISTIC. IMF WAS CENTRAL INSTITUTION FOR INTERNATIONAL MONETARY COOPERATION, AND IT WAS UNTHINKABLE THAT IT SHOULD NOT ADDRESS ITSELF TO PRINCIPAL FINANCIAL PROBLEM FACING WORLD AT THIS TIME. IT WAS A PITY THAT U.S., WHICH HAD PLAYED A LEADING ROLE IN FOUNDING BRETTON WOODS INSTITUTIONS, SHOULD BE TURNING ITS BACK ON THEM AT A TIME WHEN INTERNATIONAL ECONOMIC AND FINANCIAL COOPERATION WAS MORE ESSENTIAL THAN EVER.

3. IN REBUTTAL, WE POINTED OUT THAT IN OUR DECEMBER 6 STATEMENT, WE HAD MADE CLEAR OUR CONTINUED SUPPORT OF IMF AND OUR VIEW THAT IT IS THE CENTRAL INSTITUTION AT HEART OF FINANCING CONSTELLATION. WE SAID DIFFERENCE BETWEEN U.S. AND EC VIEWPOINTS RE ROLE OF IMF SEEMED TO US TO BE ONE OF TECHNIQUES RATHER THAN OF PRINCIPLE. WE CITED OUR ESTIMATE THAT IMF WOULD HAVE ON THE ORDER OF \$L2-L4 BILLION IN USABLE CURRENCIES FROM ITS REGULAR RESOURCES AVAILABLE FOR LENDING IN L975. LAROSIERE REPLIED THAT PROBLEMS CONFRONTING COUNTRIES LIKE ITALY IN L975 SIMPLY COULD NOT BE HANDLED THROUGH REGULAR IMF FACILITIES. WHILE RECOGNIZING THAT CONTINUED EXPANSION OF SPECIAL OIL FACILITY WOULD CHANGE CHARACTER OF FUND, HE ARGUED THAT IT WAS ESSENTIAL FOR IMF TO ADOPT ITS OPERATIONS TO COPE WITH WHAT WAS AN UNPRECEDENTED CHALLENGE TO INTERNATIONAL FINANCIAL COOPERATION. IN LIGHT OF THESE CONSIDERATIONS, U.S. OUGHT TO RALLY TO MAJORITY VIEW.

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